



**ASSISTANT SECRETARY OF DEFENSE**  
WASHINGTON, D. C. 20301

TELECOMMUNICATIONS

11 May 1972

Dr. Edward Proctor  
Deputy Director for Intelligence  
CIA  
Washington, D.C. 20505

Dear Dr. Proctor:

STATINTL

Last night at the [ ] we discussed foreign R&D investments. The attached paper was prepared a while back based on a variety of sources. The civil R&D numbers came from Mike Boretsky of Commerce and Pete Peterson, then of the White House and now of Commerce. The cross check on the civil R&D figures which tends to validate them, other than using the fact that they come from official figures of the governments concerned (but in their own currencies), is the rate of take-over of US and European markets with products which are technically superior and of native design.

I haven't done a net assessment of US/JAPAN comparable to that of the US/USSR, but an approximation could probably be done by listing the products in which each country had technological superiority in 1960, 1964, 1968 and 1972. This qualitative cross check would show where each country had selectively applied its resources. We know that the Japanese have a significant technological lead in optics, portable TV, small internal combustion engines, ship construction, etc. The US is ahead in solid state MSI production, heavy machinery, aerospace construction, gyros, etc.

The Japanese R&D effort is significant in two ways. It has achieved selected superiority. It is at a level which indicates strong national commitment -- something backed up by the government subsidy and import barrier actions (e.g., computer technology).

A better comparison between the US and Japan would be possible if the Japanese effort were priced out in US terms; i.e., what would it cost

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the US to produce the observed Japanese results? As far as I know, this approach was not used by Commerce and Peterson. Rather they converted Japanese currency input to US currency input by a general factor. Would be interested in your comments and data.

Sincerely,

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E. Rehtin

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Attach.